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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 2/05/09

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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 4

NIKKEI (Page 2) (Full)
February 5, 2009

07:28

Met with Deputy Chief Cabinet Secretary Matsumoto at the Kantei.

09:00

Lower House Budget Committee meeting.

12:05

Arrived at the Kantei.

13:00

Lower House Budget Committee meeting.

17:21

Met with Vice Foreign Minister Yabunaka at the Kantei.

18:06

Met with Deputy Chief Cabinet Secretary Uruma. Then met with Chief Cabinet Secretary Kawamura.

18:46

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Arrives the official residence.

4) U.S. State Secretary Clinton likely to visit Japan on Feb. 16-17

YOMIURI (Page 2) (Full)

February 5, 2009

U.S. Secretary of State Hillary Clinton is likely to visit Japan on Feb. 16-17, according to government sources yesterday. It will be her first overseas trip after she assumed office, and she plans to visit South Korea and China after Japan.

Clinton is scheduled to meet Prime Minister Aso and Foreign Minister Nakasone. They are expected to confirm the need for Japan and the U.S. to cooperate in addressing the global financial and economic crisis and the North Korean nuclear and abduction issues. On the 17th, she is slated to visit U.S. Yokota Air Base, which Tokyo is calling for using as joint military-civilian airport.

5) Gov't to expand MSDF's weapons use to allow firing on pirate ships to halt them

ASAHI (Page 1) (Abridged)

February 5, 2009

The government has now finalized the outline of the anti-piracy legislation to be presented to the Diet in early March. The newly planned law will expand the scope of the Self-Defense Forces' authorized use of weapons, whereby the SDF will be allowed to fire on pirate ships in order to halt them. The SDF's use of weapons on its overseas missions will be authorized for the first time in order for the SDF to carry out its duties. The new law will also allow the SDF to protect foreign ships that are irrelevant to Japan.

The government is now preparing to dispatch two Maritime Self-Defense Force destroyers for an antipiracy mission in waters off the coast of Somalia by invoking an action for maritime security policing activities under the Self-Defense Forces Law. In the case of maritime security policing activities, however, the SDF is not allowed to protect foreign ships and its use of weapons is limited to legitimate self-defense and emergency evacuation. The government is therefore preparing to enact a new anti-piracy law.

The newly envisaged law's authorization for the SDF's overseas use of weapons is based on the Japan Coast Guard Law's Article 20, which allows JCG personnel to fire on unidentified ships in Japan's territorial waters only. This article was added to the JCG law in its 2001 amendment after a suspicious ship's violation of Japan's territorial waters off the Noto Peninsula in 1999. This will be made applicable to the high seas and will be expanded to the SDF. Under the new law, the SDF will act in concert with the JCG and undertake antipiracy measures within the scope of policing activities.

In the meantime, the Antiterrorism Special Measures Law and the Iraq Special Measures Law required the government to ask the Diet for its approval of SDF deployment. The Diet, however, is currently divided,

with the ruling parties holding a majority of the seats in its lower chamber and the opposition parties dominating its upper house. As it stands, the government cannot expect Diet approval. The government will therefore go no further than to report its SDF deployment masterplan to the Diet.

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The SDF's maritime security policing is to cover Japanese-registered ships, foreign ships with Japanese nationals aboard, and foreign ships carrying Japanese shipments. However, foreign ships will be included as well. In addition, the SDF will be also allowed to share information with foreign naval vessels. The government takes the position that the SDF's information sharing with foreign vessels is a form of exercising police authority against pirates and does not fall under collective self-defense.

6) Poll: Koizumi ranks top for premiership

YOMIURI (Page 2) (Abridged)
February 5, 2009

In a recent face-to-face nationwide public opinion survey conducted by the Yomiuri Shimbun on Jan. 31 and Feb. 1, respondents were asked to pick the one lawmaker in the Diet most "appropriate" to be prime minister. In this popularity poll, former Prime Minister Junichiro Koizumi ranked at the top with 14.4 PERCENT, followed by Democratic Party of Japan (Minshuto) President Ozawa at 13.7 PERCENT, and Health, Labor and Welfare Minister Masuzoe at 7.5 PERCENT. Prime Minister Aso was at 4.7 PERCENT, slightly higher than former Administrative Reform Minister Yoshimi Watanabe, who drew public attention with his secession from the Liberal Democratic Party.

Among LDP lawmakers, LDP Deputy Secretary General Nobuteru Ishihara, who ran in the LDP's presidential race in September last year, was at 2.7 PERCENT, with former Defense Minister Yuriko Koike at 1.5 PERCENT, and Economic and Fiscal Policy Minister Kaoru Yosano at 1.4 PERCENT. Even among LDP supporters, Aso was at 13 PERCENT, with Koizumi at 25 PERCENT. Among DPJ lawmakers, DPJ Deputy President Kan was at 3.1 PERCENT, ranking next to Ozawa. DPJ Secretary General Hatoyama was at 2.4 PERCENT, and DPJ Vice President Seiji Maehara at 1.9 PERCENT. Among DPJ supporters, 40 PERCENT picked Ozawa, with only 9 PERCENT choosing Kan. Among those with no particular party affiliation, Koizumi topped all others at 13 PERCENT, with Ozawa and Masuzoe respectively at 8 PERCENT and Aso at only 2 PERCENT.

Popularity ranking for prime minister

1. Junichiro Koizumi 14.4 PERCENT
2. Ichiro Ozawa 13.7 PERCENT
3. Yoichi Masuzoe 7.5 PERCENT
4. Taro Aso 4.7 PERCENT
5. Yoshimi Watanabe 4.6
6. Naoto Kan 3.1
7. Nobuteru Ishihara 2.7
8. Yukio Hatoyama 2.4
9. Seiji Maehara 1.9
10. Katsuya Okada 1.7
11. Yuriko Koike 1.5
12. Kaoru Yosano 1.4
13. Sadakazu Tanigaki 1.2
14. Shinzo Abe 1.0
- Others 3.9

(Total percentage not 100 PERCENT due to rounding.)

7) DPJ's Maehara accuses Prime Minister Aso as "habitual con artist" who makes empty promises

MAINICHI (Page 5) (Abridged slightly)

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February 5, 2009

Takenori Noguchi

In yesterday's Lower House Budget Committee session, Democratic Party of Japan (DPJ) Vice President Seiji Maehara lashed out at Prime Minister Taro Aso, calling him "a peerless con artist" and "a tax thief." The session was suspended temporarily with the ruling parties' demand that Maehara's words be expunged from the minutes.

Touching on the question of freeing up road-related revenues for general spending, Maehara said: "The prime minister is a habitual con artist who makes empty promises. You said that you would call an election, but you did not do so. You also promised to allocate highway tax revenues for general expenditures, but that did not happen."

Maehara's accusation of the prime minister escalated, and committee chair Seishiro Eto warned Maehara, saying, "Your words are rude." The prime minister shot back at Maehara: "You must watch your tongue. Deception is a crime." Maehara still did not back down.

8) Belligerent DPJ asks provocative questions over a set of four issues in Lower House Budget Committee session; Prime minister remains calm; Debates go nowhere

NIKKEI (Page 2) (Abridged)
February 5, 2009

The Lower House Budget Committee continued with its basic question-and-answer session yesterday in which the ruling and opposition blocs engaged in a war of words. Four Democratic Party of Japan (DPJ) debaters, including Deputy President Naoto Kan, grilled Prime Minister Taro Aso over a set of four issues, including the policy of transferring revenues from road-related taxes into the general account and the question of amakudari, in which senior bureaucrats assume postretirement jobs at entities related to the sectors they formerly oversaw. Despite the DPJ's provocative questions, the prime minister maintained his cool. The two sides remained wide apart.

Seiji Maehara, who took the floor as the first questioner, attacked the prime minister, saying: "In my eyes, the prime minister is a habitual con artist who makes empty promises. You said that you would call a general election, but you did not do so, and you also promised to free up road tax revenues for general purposes, but that did not happen." This threw the committee room into a commotion filled with jeering and heckling. Unable to keep watching, committee chairman Seishiro Eto of the Liberal Democratic Party (LDP) gave a warning to Maehara, saying: "What you said was graceless. Caution must be practiced before making statements." Maehara rebutted, "What is wrong with stating facts?"

The DPJ continued to fiercely attack the prime minister over the amakudari issue, as well. Maehara argued: "If there is no amakudari, 4,600 public-interest corporations are unnecessary." Akira Nagatsuma demanded uncovering the details of behind-the-scenes amakudari practice in which former bureaucrats help other ex-government officials find postretirement jobs without the involvement of ministries and agencies. Nagatsuma apparently intended to shed light on the prime minister's promise to ban government agencies from helping their officials find reemployment starting next year. The

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prime minister simply replied: "The government cannot intervene in matters between private citizens."

Kan, who took the floor as the last questioner, noted cynically: "The prime minister has avoided calling an election over the last 134 days since taking office, and as a result you have lost public trust. You contrast sharply with U.S. President Barack Obama." Kan also pointed out differences in approaches to the economy and employment between the DPJ and the government. Kan maintained that his party had explained the fiscal resources, indicating that the DPJ's economic measures totaled 87 trillion yen, including 57 trillion yen in actual fiscal spending.

Kan went on to ask: "As seen in the cash handout plan, are you going

to dole out pork-barrel money? I can say with confidence that our proposals, including a plan to make hospitals earthquake resistant, will benefit the people of Japan." Despite Kan's provocative question amid fierce jeers from the ruling parties, the prime minister remained composed.

9) DPJ refuting ruling side's criticism of it as "trying to delay deliberations" on bills related to second extra budget

TOKYO SHIMBUN (Page 2) (Full)
February 5, 2009

The Democratic Party of Japan (DPJ) is frantically trying to dismiss the ruling camp's criticism that the party is deliberately delaying the start of deliberations in the House of Councillors on bills related to the fiscal 2008 second supplementary budget bill that includes the necessary fiscal resources for the government's cash handout program.

DPJ Secretary General Yukio Hatoyama emphasized in a meeting of the shadow cabinet yesterday: "We are not playing stalling tactics". Diet Affairs Committee Chairman Kenji Yamaoka also argued back: "(The ruling side) is trying to create an image that the DPJ is stalling deliberations."

The second extra budget bill and related bills cleared the House of Representatives on Jan. 13. The second extra budget was enacted on Jan. 27, but deliberations on the related bills have yet to start in the Upper House. The Liberal Democratic Party (LDP) has sharply reacted to this situation, with Diet Affairs Committee Chairman Tadamori Oshima arguing: "The Upper House DPJ is deliberately slowing down action on the related bills."

The DPJ's defensive response reflects its fear that the party may allow the public to think that the responsibility for the slow progress lies with the DPJ and to harbor antipathy toward it.

In the DPJ's view, it is the ruling camp that is unwilling to start deliberations in the Upper House. Even if the opposition bloc refuses to start debate in the Upper House, the related bills will pass through the Diet on March 14 with an override vote 60 days after it passes the Lower House.

To be sure, the ruling side is eager to start deliberations on the fiscal 2009 budget bill earlier than those on the related bills, which will automatically clear the Diet. If the bills are deliberated on in the Upper House, Finance Minister Shoichi Nakagawa and other officials concerned will become unable to attend meetings

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of the Lower House Budget Committee.

The DPJ has the feeling that it has been exposed to unreasonable criticism. By indicating its willingness to begin discussion in the Upper House at an early date, the main opposition party wants to underscore that the ruling camp is moving to delay the enactment of the related bills.

10) Aso in quandary over conflict between Diet affairs and diplomatic events

TOKYO SHIMBUN (Page 2) (Full)
February 5, 2009

Prime Minister Aso is now in a quandary over how to realize planned key diplomatic events at the time when the showdown between the ruling and opposition camps is about to enter a crucial moment over the fiscal 2009 budget bill.

Coordination is underway for Aso to meet with U.S. Secretary of State Hillary Clinton, who is scheduled to visit Japan on Feb. 16. If the meeting is realized, Aso will meet for the first time a key member of the administration of President Barack Obama, which was inaugurated in January. It will be an important meeting in which the two are expected to discuss Japan-U.S. relations, responses to the global economic crisis, North Korea's nuclear development and

abduction, and other issues.

Russian President Dmitry Medvedev has invited Aso to attend a ceremony in commemoration of the start of liquefied natural gas (LNG) production to be held on the Sakhalin Island on Feb. 18. In a summit meeting, the two leaders are expected to discuss Northern Territories and other issues.

Aso is "full of vigor" to be on the international stage, as one of his aides said. He wants to score points on the diplomatic front to give a boost to his administration, which has been distressed by low public support ratings.

But the ruling side has decided to pass the fiscal 2009 budget bill in mid-February. Given this, it is difficult to schedule these meetings definitely.

Keeping in mind the fact that Clinton picked Japan as the destination of her first overseas trip in her new role, the government wants to bring about an Aso-Clinton meeting without fail. But regarding a visit to Russia, a source of the Prime Minister's Office commented: "Whether he can go or not depends entirely on developments in the Diet. It is impossible to say how things will turn out."

11) Scope column: Will dissolution of the Lower House come in April or by postponed?

TOKYO SHIMBUN (Page 2) (Full)
February 5, 2009

Persons close to Prime Minister Taro Aso are now proposing compiling another supplementary budget immediately after the Diet approves the fiscal 2009 budget. This has prompted all sorts of conjectures in the ruling parties about dissolution of the House of Representatives. There are two views in the ruling coalition: one is

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that the prime minister will dissolve the Lower House in April, taking advantage of the compilation of another extra budget as good material for the next election campaign; and the other is he might delay dissolution in order to pass the extra budget.

A senior Liberal Democratic Party (LDP) member said: "I think the Lower House will be dissolved in April and the snap election will be held in May, with the official campaign kicking off after the early May Golden Week of holidays."

The outlook is that the fiscal 2009 budget will clear the Diet in late March and then related bills in late April. Underlying the prospect for the election in May seems to be the judgment that there is a mood building to call on the people for a vote of confidence after the passage of the budget.

Considering the just started full-scale deliberations on the fiscal 2009 budget bill, the senior officials of the government and ruling camp have ostensibly denied the rumor that they are looking into compiling another supplementary budget. One ruling coalition member, however, referred to a scenario that the ruling camp would compile an extra budget just for the general election. If this is the case, the extra budget compilation would be considered still more pork-barrel spending, following the current 2 trillion yen cash handout program.

Meanwhile, a group of LDP lawmakers who have distanced themselves from the Aso government sees the compilation of an extra budget for fiscal 2009 Aso's strategy of dragging down Lower House dissolution.

If passage of the extra budget is being eyed, it will be impossible to hold the snap election in May. A former LDP executive member said just recently: "There is a rumor that the official campaign will start on July 21 and that the election will take place on Aug. 2." He believes the prime minister has a scenario of holding the election after the passage of the extra budget bill and the Group of Eight summit, which will begin on July 8.

Actually, a senior member of the Aso faction said: "It will be held after the Tokyo Metropolitan assembly election and the summit. The general election will never be held before the Tokyo assembly election." He was negative about Lower House dissolution before the supplementary budget is passed.

According to a lawmaker close to Aso, it is obvious that "there will appear a view calling for moving up the general election" from within the LDP prior to the expiration of the LDP presidency. There is a possibility that the New Komeito, the LDP's coalition partner, will frown on the idea of holding the snap election on Aug. 2 immediately after the Tokyo election. However, Aug. 2 is the last-minute timing for Aso to contain a drive in the LDP to remove him from office, while putting off Lower House dissolution.

Those views in the LDP demonstrate that many ruling coalition lawmakers are concerned about fighting the general election under Aso's lead.

12) "2.7 million jobs may be lost," says former BOJ Deputy Governor Muto

YOMIURI (Page 2) (Full)

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February 5, 2009

Daiwa Institute of Research Director Toshiro Muto, former Bank of Japan (BOJ) deputy governor, on February 4 delivered a speech at the Yomiuri International Economic Society (YIES) held at Imperial Hotel in Uchisaiwaicho, Tokyo. During it, he gave his outlook that the employment situation will worsen, saying, "There is a possibility of 2.7 million jobs being lost (over a year starting in December 2008)." Regarding the outlook for economic growth in fiscal 2009, he pointed out that there is a possibility of growth falling under the Daiwa Institute of Research's estimate of minus 3.8 PERCENT .

On recovery of the world economy, Muto only said, "It will take time, because personal consumption is sluggish." He then cited conditions needed for an economic turnaround: (1) end of a drop in housing prices in the U.S.; (2) disposal of bad loans held by U.S. financial institutions; and (3) normalization of U.S. financial institutions that have received public money.

Concerning the world economy after the financial crisis, he underscored: "It will not return to the former state. It will take on a new structure. It is very important for Japan to make investments and manage the economy in a strategic manner."

13) Nippon Keidanren recommends hike in consumption tax to 17 PERCENT by fiscal 2025 in its social security reform proposal

YOMIURI (Page 2) (Full)

February 5, 2009

The final draft of a report on reform of the social security system, which Japan Business Federation (Nippon Keidanren) is expected to issue shortly, was revealed on January 4. The draft proposes adopting a basic pension system financed entirely from tax revenues, such as consumption tax revenues, so as to increase the proportion of public money injected into medical services for the elderly and the nursing care insurance system.

The draft report calculates that a hike in the sales tax to about 12 PERCENT could finance the funds additionally needed for the reform. If the full amount is to be financed with sales tax revenues, it would be necessary to raise the rate to 17 PERCENT .

At present, the portion of basic pension paid out of public funds is one-third. The proportion is to be increased to one-half, starting in fiscal 2009. .

As the first stage of the process, the draft report estimated that it would be necessary to increase the portion of basic pension paid out of public funds to two-thirds by fiscal 2015. This is in order

to secure fiscal resources equivalent to a 5 PERCENT hike in terms of the consumption tax rate. If the full amount needed is to be financed with consumption tax revenues, the rate will have to be raised from the current 5 PERCENT to 10 PERCENT .

If the full amount is to be financed with public funds at the second stage through fiscal 2025, the final consumption tax rate would be 17 PERCENT .

14) JAL looking into applying for public assistance from DBJ worth several billion yen

TOKYO 00000274 010 OF 010

ASAHI (Page 1) (Full)
February 5, 2005

Asahi Shimbun learned on February 4 that Japan Airlines (JAL), which is now implementing management reconstruction measures, is looking into applying for assistance from the Development Bank of Japan (DBJ) in order to deal with its own financial crisis. Its aim is to have ample funds in hand with the future becoming even more uncertain due to a sharp decline in air-travel demand following the worsening economy. It appears that the company is considering applying for several billion yen in assistance.

The emergency financing system to help companies address the financial crisis started in December last year, following the government's new comprehensive economic stimulus package. Funds worth 1 trillion yen are available for fiscal 2008 and fiscal 2009 respectively.

JAL had estimated as of last fall that it would be able to secure 13 billion yen in net profits in the consolidated financial settlement for the term ending in March 2009. However, companies are now holding off overseas business trips. The number of tourists has also declined sharply. This situation has hit demand for international flights. Demand for domestic flights and air cargo service is also sluggish. It appears unavoidable for JAL to make a substantial downward revision to its 3rd quarter financial settlement to be released on February 6.

JAL last spring increased capital worth approximately 150 billion yen for third party allocation. It is now implementing management reconstruction measures.

JAP President Haruka Nishimatsu as chairman of the Scheduled Airlines of Association of Japan, which is also joined by All Nippon Airways (ANA), on the 4th spoke with Transport Minister Kaneko about financial assistance to the aviation industry. Kaneko indicated that the government would ready package of assistance measures before the end of the current fiscal year. To be precise, a reduction in landing charges, which are higher in Japan than overseas, will likely be up for consideration. If realized, assistance measures for the aviation industry will likely produce the effect of indirectly assisting JAL's application for financial assistance.

However, since the root cause of JAL's poor business performance is its high-cost structure, the company will likely be pressed to cut more costs before receiving financial assistance.

ZUMWALT